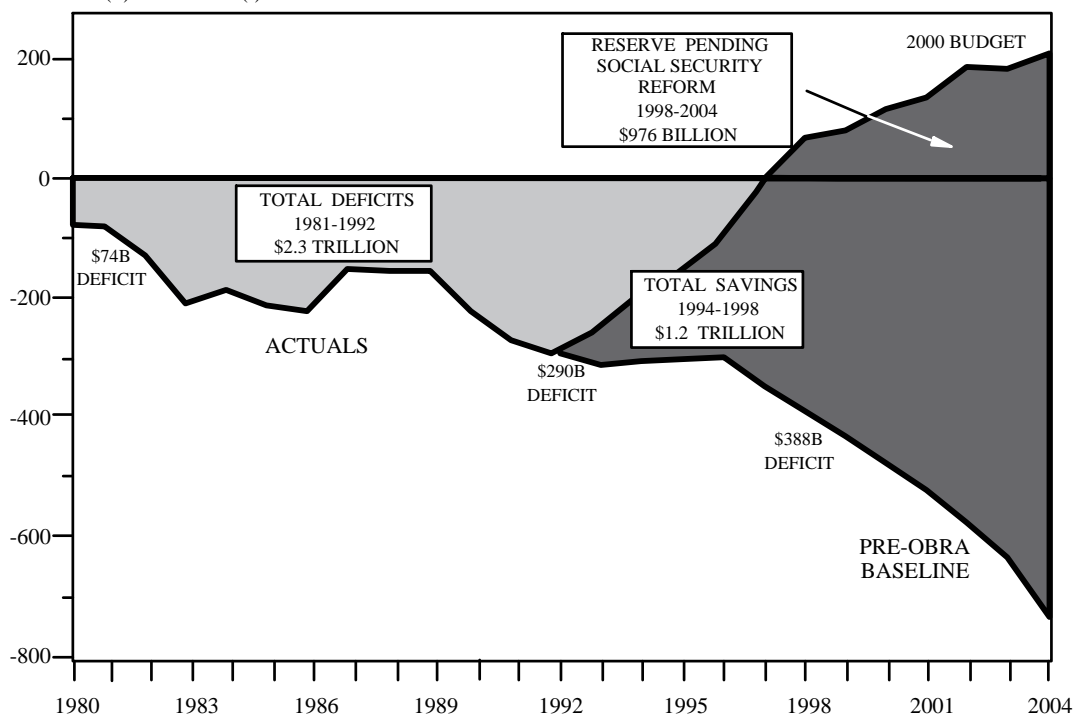


# **I. THE BUDGET MESSAGE OF THE PRESIDENT**

SURPLUS (+) / DEFICITS (-) IN BILLIONS



Note: OBRA is the Omnibus Budget Reconciliation Act of 1993.

(In billions of dollars)

[illegible]

# THE BUDGET MESSAGE OF THE PRESIDENT

*To the Congress of the United States:*

The 2000 Budget, which I am submitting to you with this message, promises the third balanced budget in my Administration. With this budget, our fiscal house is in order, our spirit strong, and our resources prepare us to meet the challenges of the next century.

This budget marks a new era of opportunity. When I took office six years ago, I was determined to reverse decades of fiscal decline—a time when deficits grew without restraint, the economy suffered, and our national purpose seemed to be undermined. For too many years, the deficit loomed over us, a powerful reminder of the Government's inability to do the people's business.

Today, Americans deserve to be proud and confident in their ability to meet the next set of challenges. In the past six years, we have risen to our responsibilities and, as a result, have built an economy of unprecedented prosperity. We have done this the right way—by balancing fiscal discipline and investing in our Nation.

This budget continues on the same path. It invests in education and training so Americans can make the most of this economy's opportunities. It invests in health and the environment to improve our quality of life. It invests in our security at home and abroad, strengthens law enforcement and provides our Armed Forces with the resources they need to safeguard our national interests in the next century.

This year's budget surplus is one in many decades of surpluses to come—if we maintain our resolve and stay on the path that brought us this success in the first place. The budget forecasts that the economy will remain strong, producing surpluses until well into the next century.

The 21st Century promises to be a time of promise for the American people. Our challenge as we move forward is to maintain our strategy of balancing fiscal discipline with the need to make wise decisions about

our investment priorities. This strategy has resulted in unprecedented prosperity; it is now providing us with resources of a size and scope that just a few years ago simply didn't seem possible. Now that these resources are in our reach, it is both our challenge and responsibility to make sure we use them wisely.

First and foremost, in the last year of this century, the task awaiting us is to save Social Security. The conditions are right. We have reserved the surplus, our economy is prosperous, and last year's national dialogue has advanced the goal of forging consensus. Acting now makes the work ahead easier, with changes that will be far simpler than if we wait until the problem is closer at hand.

In my State of the Union address, I proposed a framework for saving Social Security that will use 62 percent of the surplus for the next 15 years to strengthen the Trust Fund until the middle of the next century. Part of the surplus dedicated to Social Security would be invested in private securities, further strengthening the Trust Fund by drawing on the long-term strength of the stock market, and reducing the debt to ensure strong fiscal health. This proposal will keep Social Security safe and strong until 2055. In order to reach my goal of protecting and preserving the Trust Fund until 2075, I urge the Congress to join me on a bipartisan basis to make choices that, while difficult, can be achieved, and include doing more to reduce poverty among single elderly women.

I am committed to upholding the pledge I made last year—that we must not drain the surplus until we save Social Security. It is time to fix Social Security now. And once we have done so, we should turn our efforts to other pressing national priorities. We must fulfill our obligation to save and improve Medicare—my framework would reserve 15 percent of the projected surplus for Medicare, ensuring that the Medicare

Trust Fund is secure for 20 years. It would establish Universal Savings Accounts, using just over one tenth of the surplus to encourage all Americans to save and invest so they will have additional income in retirement. I propose that we reserve the final portion of the projected surplus, 11 percent, to provide resources for other pressing national needs that will arise in the future, including the need to maintain the military readiness of the Nation's Armed Forces, education, and other critical domestic priorities.

### **Charting a Course for the New Era of Surplus**

Six years ago, when my Administration took office, we were determined to create the conditions for the Nation to enter the 21st Century from a position of strength. We were committed to turning the economy around, to reining in a budget that was out of control, and to restoring to the country confidence and purpose.

Today, we have achieved these goals. The budget is in balance for the first time in a generation and surpluses are expected as far as the eye can see. The Nation's economy continues to grow; this is the longest peacetime expansion in our history. There are more than 17 million new jobs; unemployment is at its lowest peacetime level in 41 years; and today, more Americans own their own homes than at any time in our history.

Americans today are safer, more prosperous, and have more opportunity. Crime is down, poverty is falling, and the number of people on welfare is the lowest it has been in 25 years. By almost every measure, our economy is vibrant and our Nation is strong.

Throughout the past six years, my Administration has been committed to creating opportunity for all Americans, demanding responsibility from all Americans and to strengthening the American community. We have made enormous strides, with the success of our economy creating new opportunity and with our repair of the social fabric that had frayed so badly in recent decades reinvigorating our sense of community. Most of all, the prosperity and opportunity of our time offers us a great responsibility—to take action to ensure that Social Security is there for

the elderly and the disabled, while ensuring that it not place a burden on our children.

We have met the challenge of deficit reduction; there is now every reason for us to rise to the next challenge. For sixty years, Social Security has been a bedrock of security in retirement. It has saved many millions of Americans from an old age of poverty and dependency. It has offered help to those who become disabled or suffer the death of a family breadwinner. For these Americans—in fact, for all Americans—Social Security is a reflection of our deepest values of community and the obligations we owe to each other.

It is time this year to work together to strengthen Social Security so that we may uphold these obligations for years to come. We have the rare opportunity to act to meet these challenges—or in the words of the old saying, to fix the roof while the sun is shining. And at least as important, we can engage this crucial issue from a position of strength—with our economy prosperous and our resources available to do the job of fixing Social Security. I urge Americans to join together to make that happen this year.

### **Building on Economic Prosperity**

At the start of 1993, when my Administration took office, the Nation's economy had barely grown during the previous four years, creating few jobs. Interest rates were high due to the Government's massive borrowing to finance the deficit, which had reached a record \$290 billion and was headed higher.

Determined to set America on the right path, we launched an economic strategy built upon three elements: promoting fiscal responsibility; investing in policies that strengthen the American people, and engaging in the international economy. Only by pursuing all three elements could we restore the economy and build for the future.

My 1993 budget plan, the centerpiece of our economic strategy, was a balanced plan that cut hundreds of billions of dollars of Federal spending while raising income taxes only on the very wealthiest of Americans. By cutting unnecessary and lower-priority

spending, we found the resources to cut taxes for 15 million working families and to pay for strategic investments in areas including education and training, the environment, and other priorities meant to improve the standard of living and quality of life for the American people.

Six years later, we have balanced the budget; and if we keep our resolve, the budget will be balanced for many years to come. We have invested in the education and skills of our people, giving them the tools they need to raise their children and get good jobs in an increasingly competitive economy. We have expanded trade, generating record exports that create high-wage jobs for millions of Americans.

The economy has been on an upward trend, almost from the start of my Administration's new economic policies. Shortly after the release of my 1993 budget plan, interest rates fell, and they fell even more as I worked successfully with Congress to put the plan into law. These lower interest rates helped to spur the steady economic growth and strong business investment that we have enjoyed for the last six years. Our policies have helped create over 17 million jobs, while interest rates have remained low and inflation has stayed under control.

As we move ahead, I am determined to ensure that we continue to strike the right balance between fiscal discipline and strategic investments. We must not forget the discipline that brought us this new era of surplus—it is as important today as it was during our drive to end the days of deficits. Yet, we also must make sure that we balance our discipline with the need to provide resources for the strategic investments of the future.

### **Improving Performance Through Better Management**

Vice President Gore's National Partnership for Reinventing Government, with which we are truly creating a Government that "works better and costs less," played a significant role in helping restore accountability to Government, and fiscal responsibility to its operations. In streamlining Government, we have done more than just reduce or eliminate

hundreds of Federal programs and projects. We have cut the civilian Federal work force by 365,000, giving us the smallest work force in 36 years. In fact, as a share of our total civilian employment, we have the smallest work force since 1933.

But we have set out to do more than just cut Government. We set out to make Government work, to create a Government that is more efficient and effective, and to create a Government focused on its customers, the American people.

We have made real progress, but we still have much work to do. We have reinvented parts of departments and agencies, but we are forging ahead with new efforts to improve the quality of the service that the Government offers its customers. My Administration has identified 24 Priority Management Objectives, and we will tackle some of the Government's biggest management challenges—meeting the year 2000 computer challenge; modernizing student aid delivery; and completing the restructuring of the Internal Revenue Service.

I am determined that we will solve the very real management challenges before us.

### **Preparing for the 21st Century**

***Education and Training:*** Education, in our competitive global economy, has become the dividing line between those who are able to move ahead and those who lag behind. For this reason, I have devoted a great deal of effort to ensure that we have a world-class system of education and training in place for Americans of all ages. Over the last six years, we have worked hard to ensure that every boy and girl is prepared to learn, that our schools focus on high standards and achievement, that anyone who wants to go to college can get the financial help to attend, and that those who need another chance at education and training or a chance to improve or learn new skills can do so.

My budget significantly increases funds to help children, especially in the poorest communities, reach challenging academic standards; and makes efforts to strengthen accountability. It proposes investments to end social promotion, where too many public school students move from grade to grade without

having mastered the basics, by expanding after school learning hours to give students the tools they need to earn advancement. The budget proposes improving school accountability by funding monetary awards to the highest performing schools that serve low-income students, providing resources to States to help them identify and change the least successful schools. It invests in programs to help raise the educational achievement of Hispanic students. The budget invests in reducing class size by recruiting and preparing thousands more teachers and building thousands more new classrooms. It increases Pell Grants and other college scholarships from the record levels already reached. My budget also helps the disabled enter the work force, by increasing flexibility to allow Medicaid and Medicare coverage and by providing tax credits to cover the extra costs associated with working.

**Families and Children:** During the past six years, we have taken many steps to help working families, and we continue that effort with this budget. We cut taxes for 15 million working families, provided a tax credit to help families raise their children, ensured that 25 million Americans a year can change jobs without losing their health insurance, made it easier for the self-employed and those with pre-existing conditions to get health insurance, provided health care coverage for up to five million uninsured children, raised the minimum wage, and provided guaranteed time off for workers who need to care for a newborn or to address the health needs of a family member.

I am determined to provide the help that families need when it comes to finding affordable child care. I am proposing a major effort to make child care more affordable, accessible, and safe by expanding tax credits for middle-income families and for businesses to increase their child care resources, by assisting parents who want to attend college meet their child care needs, and by increasing funds with which the Child Care and Development Block Grant will help more poor and near-poor children. My budget proposes an Early Learning Fund, which would provide grants to communities for activities that improve early childhood education and the quality of child care for those under age

five. And it proposes increasing equity for legal immigrants by restoring their Supplemental Security Income benefits and Food Stamps and by expanding health coverage to legal immigrant children.

**Economic Development:** Most Americans are enjoying the fruits of our strong economy. But while many urban and rural areas are doing better, too many others have grown disconnected from our values of opportunity, responsibility and community. Working with the State and local governments and with the private sector, I am determined to help bring our distressed areas back to life and to replace despair with hope. I am proposing a New Markets Investment Strategy which will provide tax credit and loan guarantee incentives to stimulate billions in new private investment in distressed rural and urban areas. It will build a network of private investment institutions to funnel credit, equity, and technical assistance into businesses in America's untapped markets, and provide the expertise to targeted small businesses that will allow them to use investment to grow. I am also proposing to create more Empowerment Zones and Enterprise Communities, which provide tax incentives and direct spending to encourage the kind of private investment that creates jobs, and to provide more capital for lending through my Community Development Financial Institutions program. My budget also expands opportunities for home ownership, provides more funds to enforce the Nation's civil rights laws, maintains our government-to-government commitment to Native Americans, and strengthens the partnership we have begun with the District of Columbia.

**Health Care:** This past year, we continued to improve health care for millions of Americans. Forty-seven States enrolled 2.5 million uninsured children in the new Children's Health Insurance Program. By executive order, I extended the patient protections that were included in the Patient's Bill of Rights, including emergency room access and the right to see a specialist, to 85 million Americans covered by Federal health plans, including Medicare and Medicaid beneficiaries and Federal employees. Medicare beneficiaries gained access to new preventive benefits, managed care choices, and low-income protections. My budget gives new insurance options to hundreds of

thousands of Americans aged 55 to 65. I am advocating bipartisan national legislation to reduce tobacco use, especially among young people. And I am proposing a Long-Term Care initiative, including a \$1,000 tax credit, to help patients, families, and care givers cope with the burdens of long-term care. The budget enables more Medicare recipients to receive promising cancer treatments by participating more easily in clinical trials. And it improves the fiscal soundness of Medicare and Medicaid through new management proposals, including programs to combat waste, fraud and abuse.

**International Affairs:** America must maintain its role as the world's leader by providing resources to pursue our goals of prosperity, democracy, and security. The resources in my budget will help us promote peace in troubled areas, provide enhanced security for our officials working abroad, combat weapons of mass destruction, and promote trade.

The United States continues to play a leadership role in a comprehensive peace in the Middle East. The Wye River Memorandum, signed in October 1998, helps establish a path to restore positive momentum to the peace process. My budget supports this goal with resources for an economic and military assistance package to help meet priority needs arising from the Wye Memorandum.

Despite progress in making peace there are real and growing threats to our national security. The terrorist attack against two U.S. embassies in East Africa last year is a stark reminder. My budget proposes increased funding to ensure the continued protection of American embassies, consulates and other facilities, and the valuable employees who work there. Our security and stability throughout the world is also threatened by the proliferation of weapons of mass destruction and their means of delivery. The budget supports significant increases for State Department efforts to address this need.

**National Security:** The Armed Forces of the United States serve as the backbone of our national security strategy. In this post-Cold War era, the military's responsibilities have changed, but not diminished—and in many ways have become even more complex. The military must be in a position to guard

against the major threats to U.S. security: regional dangers, such as cross-border aggression; the proliferation of the technology of weapons of mass destruction; transnational dangers, such as the spread of illegal drugs and terrorism; and direct attacks on the U.S. homeland from intercontinental ballistic missiles or other weapons of mass destruction.

Last year, the military and civilian leaders of our Armed Forces expressed concern that if we do not act to shore up our Nation's defenses, we would see a future decline in our military readiness—the ability of our forces to engage where and when necessary to protect the national security interests of the United States. Our military readiness is currently razor-sharp, and I intend to take measures to keep it that way. Therefore, I am proposing a long-term, sustained increase in defense spending to enhance the military's ability to respond to crises, build for the future through weapons modernization programs, and take care of military personnel and their families by enhancing the quality of life, thereby increasing retention and recruitment.

**Science and Technology:** During the last six years, I have sought to strengthen science and technology investments in order to serve many of our broader goals for the Nation in the economy, education, health care, the environment, and national defense. My budget strengthens basic research programs, which are the foundation of the Government's role in expanding scientific knowledge and spurring innovation. Through the 21st Century Research Fund, the budget provides strong support for the Nation's two largest funders of civilian basic research at universities: the National Science Foundation and the National Institutes of Health. My budget provides a substantial increase for the National Aeronautics and Space Administration's Space Science program, including a significant cooperative endeavor with Russia.

My budget also provides resources to launch a bold, new Information Technology Initiative to invest in long-term research in computing and communications. It will accelerate development of extremely fast supercomputers to support civilian research, enabling scientists to develop life-savings drugs, provide earlier

tornado warnings, and design more fuel-efficient, safer automobiles.

**The Environment:** The Nation does not have to choose between a strong economy and a clean environment. The past six years are proof that we can have both. We have set tough new clean air standards for soot and smog that will prevent up to 15,000 premature deaths a year. We have set new food and water safety standards and have accelerated the pace of cleanups of toxic Superfund sites. We expanded our efforts to protect tens of millions of acres of public and private lands, including Yellowstone National Park and Florida's Everglades. Led by the Vice President, the Administration reached an international agreement in Kyoto that calls for cuts in greenhouse gas emissions. In my budget this year, I am proposing an historic interagency Lands Legacy initiative to both preserve the Nation's Great Places, and advance preservation of open spaces in every community. This initiative will give State and local governments the tools for orderly growth while protecting and enhancing green spaces, clean water, wildlife habitat, and outdoor recreation. I also propose a Livability Initiative with a new financing mechanism, Better America Bonds, to create more open spaces in urban and suburban areas, protect water quality, and clean up abandoned industrial sites. My budget continues to increase our investments in energy-efficient technologies and renewable energy to strengthen our economy while reducing greenhouse gases. And I am proposing a new Clean Air Partnership Fund to support State and local efforts to reduce both air pollution and greenhouse gases.

**Law:** Our anti-crime strategy is working. For more than six years, serious crime has fallen uninterrupted and the murder rate is down by more than 28 percent, its lowest point in three decades. But, because crime remains unacceptably high, we must go further. Building on our successful community policing (COPS) program, which in this, its final year, places 100,000 more police on the street, my budget launches the next step—the 21st Century Policing initiative. This initiative invests in additional police targeted especially to crime “hot spots,” in crime fighting technology, and in community based prosecutors and crime prevention. The budget also provides funds to prevent violence against women, and to ad-

dress the growing law enforcement crisis on Indian lands. To boost our efforts to control illegal immigration, the budget provides the resources to strengthen border enforcement in the South and West, remove illegal aliens, and expand our efforts to verify whether newly hired non-citizens are eligible for jobs. To combat drug use, particularly among young people, my budget expands programs that stress treatment and prevention, law enforcement, international assistance, and interdiction.

### Entering the 21st Century

As we prepare to enter the next century, we must keep sight of the source of our great success. We enjoy an economy of unprecedented prosperity due, in large measure, to our commitment to fiscal discipline. In the past six years, we have worked together as a Nation, facing the responsibility to correct the mistaken deficit-driven policies of the past. Balancing the budget has allowed our economy to prosper and has freed our children from a future in which mounting deficits threatened to limit options and sap the country's resources.

In the course of the next century, we will face new challenges for which we are now fully prepared. As the result of our fiscal policy, and the resources it has produced, we will enter this next century from a position of strength, confident that we have both the purpose and ability to meet the tasks ahead. If we keep our course, and maintain the important balance between fiscal discipline and investing wisely in priorities, our position of strength promises to last for many generations to come.

The great and immediate challenge before us is to save Social Security. It is time to move forward now.

We have already started the hard work of seeking to build consensus for Social Security's problems. Let us finish the job before the year ends. Let us enter the 21st Century knowing that the American people have met one more great challenge—that we have fulfilled the obligations we owe to each other as Americans.



If we can do this—and surely we can—then we will be able to look ahead with confidence, knowing that our strength, our

resources, and our national purpose will help make the year 2000 the first in what promises to be the next American Century.

WILLIAM J. CLINTON

February 1, 1999